



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON, D.C. 20360-1000

SEP 14 2001

MEMORANDUM FOR DISTRIBUTION

Subj: DEPARTMENT OF THE NAVY FISCAL YEAR 2001 STATEMENT OF
ASSURANCE

Ref: (a) 31 U.S.C. 3512 (Public Law 97-255), Federal Managers'
Integrity Act (FMPA) of 1982
(b) SECNAVINST 5200.35D of 10 Dec 97

Encl: (1) Requirements for the FY 2001 Management Control
Certification Statement
(2) DON FY 2001 Statement of Assurance Schedule

By references (a) and (b), all major offices and echelons shall submit to the Secretary of the Navy (SECNAV) a Management Control Certification Statement on whether the management controls are achieving their intended objectives and comply with applicable laws and regulations. This Certification Statement will summarize Management Control Program accomplishments and identify material weaknesses, including the plans to correct them.

Input is needed from each major Department of the Navy (DON) Command/activity in the form of a consolidated Management Control Certification Statement, along with supporting enclosures, to complete this requirement for the DON. The combined set of addressees' statements forms the basis for the DON's Fiscal Year (FY) 2001 Statement of Assurance to the Secretary of the Defense.

The Management Control Certification Statement indicates whether internal administrative and accounting controls of the DON provide reasonable assurance that (1) programs achieve their intended results; (2) resources are used consistent with the DON mission; (3) programs and resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is obtained, maintained, reported and used for decision making. Areas that management identified as not meeting these requirements are reported as material weaknesses, and plans to correct the material weaknesses must be included.

Subj: DEPARTMENT OF THE NAVY FISCAL YEAR 2001 STATEMENT OF
ASSURANCE

Enclosure (1) contains the requirements for your FY 2001 Management Control Certification Statement submission, and enclosure (2) is the current schedule for preparation, review and submission of the DON's FY 2001 Statement of Assurance.

All addressees are required to forward their annual Management Control Certification Statements to the Secretary of the Navy (via the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN(FM&C)), Office of Financial Operations (FMO)) by 15 October 2001. These statements will be used as the basis for the DON's submission to the Secretary of Defense and, subsequently, to the President and the Congress.

Questions may be referred to the FMO POC, Ellie Freitag at (202) 685-6748, e-mail: freitag.elizabeth@fmo.navy.mil.



GLADYS J. COMMONS
Principal Deputy
Assistant Secretary of the Navy
(Financial Management and Comptroller)

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Requirements for the FY 2001 Management Control Certification Statement

1. All DON Commands/activities are required to provide input to the annual DON Statement of Assurance through their Management Control Certification Statement. The Certification Statements, along with supporting enclosures, will be submitted to the Secretary of the Navy by: Chief of Naval Operations (CNO), Commandant of the Marine Corps (CMC), ASNs (FM&C, Manpower and Reserve Affairs, Research Development and Acquisition, Installations and Environment), Auditor General of the Navy (AUDGEN), Naval Inspector General (NAVINSGEN), Naval Criminal Investigative Service (NAVCRIMINVSERV), General Counsel of the Navy, Chief of Information, Judge Advocate General, Chief of Legislative Affairs, and Assistant for Administration no later than 15 October 2001.

2. The current schedule for preparation, review and submission of the DON's FY 2001 Statement of Assurance is included in this enclosure.

3. The Management Control Certification Statement submission shall include the following certification (a) and enclosures (b-g):

a. FY 2001 Management Control Certification Statement. The Certification Statement shall be signed ("certified") by the Command/activity head or principal deputy, providing the assessment by the Command/activity's senior management as to whether there is reasonable assurance that the Command/activity's management controls are in place and effectively operating. The Certification Statement shall represent the consolidation of input from all the major command or activity's divisions, and should be supported by a certification from each division, which is kept by the major DON Command/activity and is available, when needed. The format for the basic transmittal letter will be provided in an e-mail to your FMFIA point of contact (POC).

Under OMB Circular A-123, "Management Accountability and Control," June 21, 1995, this statement of assurance must take one of the following three forms:

(1) An unqualified statement of assurance (reasonable assurance). Each unqualified statement must have a firm basis for that position, which will be summarized in the cover memorandum. A more extensive explanation of that position must be clearly articulated in the body of the statement.

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(2) A qualified statement of assurance (reasonable assurance with the exception of material weaknesses noted). The material weaknesses in management controls that preclude an unqualified statement should be cited in the cover memorandum.

(3) A negative statement (no reasonable assurance). The basis for this position should be summarized in the cover memorandum.

b. Determination of Reasonable Assurance Status. This basis for reasonable assurance should include a description of how the Command/activity evaluation was conducted and should be substantiated using guidance that will be provided via e-mail to your FMFIA POC. Your explanation should be labeled in your submission as "Determination of Reasonable Assurance" (this information can be provided in the transmittal letter or as a separate enclosure).

c. Current Year Accomplishments. Subject matter for this section may include, but not be limited to the following types of initiatives:

- (1) Relevant statistics
- (2) Enhanced training
- (3) Distribution and communication initiatives
- (4) Reorganization and realignment of responsibilities
- (5) New improvement projects
- (6) Hiring of specialized personnel
- (7) Newly developed assurance reviews
- (8) Specific implementation of actions and positive initiatives to reduce fraud, waste and abuse and related savings
- (9) Upcoming plans for Management Control Program activities
- (10) Establishment of new methods for assessing business risk
- (11) Enhanced techniques for self-reporting business risks
- (12) Development of new guidance

d. Corrected/Uncorrected Material Weaknesses Identified During Current Period. Provide narrative descriptions of material weaknesses and specific plans and schedules for corrective action. Since corrective actions may be in development, it is acceptable for the narratives to reflect the current perceptions of the Command/activity's senior management. Narrative descriptions of material weaknesses corrected in the current year shall include specific actions taken to correct the weakness.

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Each corrected material weakness will include, as the last milestone, a validation milestone that describes how the corrective action was evaluated and how its effectiveness was certified. Determining whether a weakness is material enough to warrant reporting is a management decision. Comments on conceptualizing and defining a material weakness will be provided via e-mail to your FMFIA POC. Also provided via e-mail will be the formats for reporting corrected/uncorrected material weaknesses.

e. Status of Material Weaknesses Identified During Prior Period. Uncorrected material weaknesses identified during prior period(s) for those components responsible for correcting the weakness(es) will be provided via e-mail to your FMFIA POC. These weaknesses can also be found at FMO's web site address (listed below) under Tab B-2 of the FY 2000 DON Statement of Assurance. If not applicable to your Command/activity, it is so noted. The updated material weakness narratives for prior periods must explain the reasons for changes to corrective milestones and dates.

f. Significant Issues. Discuss issues that have emerged during FY 2001 audits, which while notable, do not represent department-wide material weaknesses, and are not reported as such.

g. Other Items of Interest. These may include significant management control issues that were noted in FY 2001 audits, but remain unresolved and will be revisited in FY 2002, or other disclosures or special presentations that have risen due to specific requests or inquiries.

The requirements shall be provided to FMO in paper copy and electronically (diskette or electronic mail) by the due date indicated in the cover letter.

The mailing address is: Office of Financial Operations, 720 Kennon St. SE, Room 115, Washington Navy Yard, DC 20374 5025

E-mail submissions should be sent to: Ms. Ellie Freitag at freitag.elizabeth@fmo.navy.mil

The DON's FY 2000 Statement of Assurance is located at the Office of Financial Operations (FMO) web site at: <http://www.fmo.navy.mil/operations/operations.htm>

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The Department of Defense Statements of Assurance are located
at: <http://www.dtic.mil/comptroller/fmfia.html>

For additional information or questions, please call FMO
representative, Ellie Freitag, at (202) 685-6748, e-mail:
freitag.elizabeth@fmo.navy.mil

Encl (1)

DON FY 2001 Statement of
Assurance Schedule

- 5 Oct: ASN(FM&C) organizations submit their Management Control Certification Statements to the FMO.
- 15 Oct: ASNs and echelon 1 components, and Secretariat Staff offices, provide annual Management Control Certification Statements to SECNAV, with copy to FMO.
- 15 Oct: AUDGEN, NAVINSGEN, and NAVCRIMINVSERV provide SECNAV annual summaries of DON-wide weaknesses identified through audits, inspections, and investigations, with copy to FMO.
- 01 Nov: ASN(FM&C) distributes draft DON Statement of Assurance to program coordinators for the ASNs, CNO, CMC, and Secretariat Staff offices to review and comment.
- 08 Nov: ASNs, CNO, CMC, and Secretariat Staff office provide comments on draft DON Statement of Assurance.
- 12 Nov: FMO briefs ASN(FM&C) on DON FY 2001 Statement of Assurance.
- 13 Nov: Naval Audit Service provides letter to the Under Secretary of the Navy (UNSECNAV) stating results of its audit in determining the reasonableness and propriety of the DON FY 2001 Statement of Assurance.
- 13 Nov: ASN(FM&C) briefs SECNAV/UNSECNAV on DON's FY 2001 Statement of Assurance.
- 15 Nov: ASN(FM&C) obtains SECNAV/UNSECNAV signature on DON's Statement of Assurance and submits Statement to the Office of the Secretary of Defense (Comptroller).
- 28 Dec: Under Secretary of Defense (Comptroller) submits the annual DOD FMFIA Statement of Assurance to the President, the Vice President, and the Speaker of the House (Congressional committees and Office of Management and Budget also receive copies).

Encl (2)